

Message Text

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ACTION STR-04

INFO OCT-01 EA-10 ISO-00 STRE-00 FEA-01 AGRE-00 CEA-01

CIAE-00 COME-00 DODE-00 EB-08 FRB-03 H-01 INR-07

INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05

SS-15 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01

EUR-12 IO-13 /110 W

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R 060820Z SEP 77

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 844

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FOR AMBASSADOR STRAUSS FROM AMB. WOLFF AND MR. HEIMLICH

E.O. 11652: N/A

TAGS: ETRD, MTN

SUBJECT: STEEL IMPORTS

1. FOLLOWING IS FOR USE IF NECESSARY IN REACTING TO STEEL
IMPORT PROBLEM MEETINGS THIS WEEK:

BACKGROUND: WHILE STEEL IMPORTS HAVE BEEN UP SHARPLY DURING
LAST THREE MONTHS (MAY-JULY) RESULTING IN HIGH RATES OF IMPORT
PENETRATION, IMPORT VOLUMES AND PENETRATION RATE ARE STILL
BELOW PREVIOUS HIGHS. PRODUCTION IS OFF SIGNIFICANTLY IN THE
UNITED STATES SO THAT CAPACITY UTILIZATION IS WELL UNDER
80 PERCENT. SHIPMENTS ARE AT ABOUT THE SAME LEVEL AS LAST YEAR.
PROFITS IN THE INDUSTRY HAVE TAKEN A NOSEDIVE DESPITE RECENT
SUBSTANTIAL PRICE INCREASE, AND WERE DISASTROUS IN THE
SECOND QUARTER OF 1977. ONE FIRM HAS GONE BANKRUPT AND
SEVERAL OTHERS HAVE ANNOUNCED CUTBACKS IN CAPACITY. FURTHER
ANNOUNCEMENTS OF CUTBACKS CAN BE EXPECTED UNLESS THE SITUATION
IMPROVES (AND SUCH IMPROVEMENT IS UNLIKELY). THE SERIOUS
WORLD EXCESS CAPACITY PROBLEM WILL CONTINUE FOR SEVERAL
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YEARS AND FOREIGN COMPETITION SHOULD BE INTENSE IN THE
U.S. MARKET.

2. TALKING POINTS: THE FOLLOWING MAY BE USEFUL IN YOUR
DISCUSSIONS, IF ANY, ON DOMESTIC STEEL QUESTIONS THIS WEEK:

--WE RECOGNIZE THE SERIOUSNESS OF THE CURRENT DOMESTIC

STEEL SITUATION AND ARE ACTIVELY CONSIDERING BOTH SHORT TERM AND LONGER RUN REMEDIES.

--WE HAVE ENCOURAGED THE DOMESTIC INDUSTRY TO PURSUE ITS CHARGES THAT FOREIGN SUPPLIERS ARE DUMPING IN THE U.S. MARKET AND ARE SURPRISED THAT THE INDUSTRY HAS NOT DONE SO. AT THE MOMENT, DOMESTIC ANTIDUMPING PROCEDURES APPEAR TO US TO BE THE MOST APPROPRIATE AND EFFECTIVE MEANS FOR DISCOURAGING SUCH DUMPING.

--QUANTITATIVE RESTRICTIONS, INCLUDING VRA'S, WILL DO LITTLE TO ALLEVIATE STEEL'S CURRENT PROBLEMS. WHILE THE JAPANESE WOULD BE WILLING TO HAVE A VRA ON STEEL, IT IS UNLIKELY THEY WOULD AGREE TO ANY SIGNIFICANT REDUCTION FROM LAST YEAR'S LEVELS. THE EC, WHICH IS THE PRINCIPAL SOURCE OF THE 1977 IMPORT INCREASE, WOULD BE UNABLE TO IMPLEMENT A VRA. UNILATERAL U.S. QUOTAS COULD ONLY BE IMPOSED PURSUANT TO TRADE ACT PROCEDURES SUCH AS THE ESCAPE CLAUSE. THE SECTION 301 COMPLAINT IS NOT AN ADEQUATE BASIS FOR UNILATERAL USG QUOTAS BECAUSE THE DIVERSION EFFECT OF THE EC/JAPAN AGREEMENT CITED IN THAT COMPLAINT IS OF LITTLE CONSEQUENCE IN RELATION TO THE PRESSURES CAUSED BY WORLDWIDE OVERCAPACITY. BESIDES THERE IS NO INTERNATIONAL COVER FOR ACTIONS UNDER SECTION 301. (NOTE: WE HAVE GONE ON RECORD WITH BOTH JAPAN AND THE EC IN OPPOSITION TO LIMITED OFFICIAL USE

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THEIR ARRANGEMENT ON STEEL.)

--IN RECOGNITION OF THE WORLDWIDE OVERCAPACITY PROBLEM AND THE RECURRING NATURE OF SUCH PROBLEMS, THE USG HAS INITIATED TALKS IN THE OECD DIRECTED AT IDENTIFYING THE PRINCIPAL PROBLEMS AND THEIR CAUSES. WE HOPE THAT THESE DISCUSSIONS WILL EVOLVE SHORTLY INTO A CONSIDERATION OF BETTER MULTILATERAL METHODS FOR MANAGING THE WORLD'S STEEL TRADE PROBLEMS.

--WE WILL BE FACING UP TO THE PROBLEMS OF STEEL NOT ONLY IN THE OECD BUT ALSO IN THE GATT WHERE STEEL WILL PLAY AN IMPORTANT ROLE IN THE MTN. WE WILL BE VERY RELUCTANT TO FURTHER OPEN OUR DOMESTIC MARKET TO COMPETITION WHICH MAY HAVE SIGNIFICANT DISTORTING EFFECT IN THAT MARKET.

--THE PROBLEMS OF THE STEEL INDUSTRY IN RELATION TO DOMESTIC GOVERNMENT POLICIES ARE BEING EXAMINED BY THE COUNCIL ON WAGE AND PRICE STABILITY AT THE REQUEST OF THE PRESIDENT. THIS EXAMINATION MAY LEAD TO ACTION ON THE DOMESTIC POLICY SIDE WHICH WILL SERVE TO ALLEVIATE THE CURRENT DIFFICULTIES OF THE INDUSTRY AND ITS WORKERS.

MANSFIELD

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: STEEL, IMPORTS, IMPORT DATA
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Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
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Format: TEL
From: TOKYO
Handling Restrictions: n/a
Image Path:
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Legacy Key: link1977/newtext/t19770993/aaaadass.tel
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Litigation Code IDs:
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Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
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Office: ACTION STR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 17-Feb-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1372857
Secure: OPEN
Status: NATIVE
Subject: STEEL IMPORTS
TAGS: ETRD, JA, MTN
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/214f034d-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009